# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson

FROM: Frank Lawson, General Manager

DATE: May 10, 2017

SUBJECT: Strategic Work Session – Introduction

OBJECTIVE: Information Only

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**Strategic Workshop Introduction**

While no decisions will be made or actions taken at this work session, the goal of this meeting is to gather Board guidance on the strategic direction of the water and electric utilities. During the meeting, a brief overview of a proposed 10-year strategy will be presented and discussed along with the potential tactical impacts on key future decisions. To test the applicability of the strategy, Triple Bottom Line (TBL) tradeoffs will be discussed as they relate to customer value, including the impacts on customer cost (affordability) and the quality and reliability of our delivery of electricity and water.

There are many theories and approaches to organizational strategy, with most centering on the creation of sustainable competitive advantages. Our strategy needs to create a clear vision that can be implemented in a sustainable way. Long-term performance cannot be sacrificed for temporary short-term gain. Financial, workforce, infrastructure, and services all need to be resilient in our future environment. And, while theories may vary, the primary role of our strategic work is to develop the clarity to make decisions, and to create a way to align and motivate the organization toward the achievement of a common mission.

**Major Decisions**

Major decisions lie ahead for EWEB, primarily associated with supply-side resources of both electricity and water. Over the next ten (10) years, almost all of EWEB's electric resources require contract renegotiation, expiration, or relicensing including Bonneville Power Administration and Carmen-Smith. The resiliency of our water supply will depend on developing alternative sources and approaches to a sole intake, treatment facility, and transmission corridor.

The electricity industry is changing, and becoming more volatile. The influx of renewable resources throughout the western U.S. is causing a need for both firm capacity to back up these intermittent resources and faster response to system imbalance. Technology is facilitating faster response between resources and consumption, and utilities are being required to synchronize their resources with demand. Customer participation will aid in this effort, may involve increased demand response and use of Advanced Metering Infrastructure, and is important in making future electric resource decisions.

Our water rights and ability to reliably deliver are not presently constrained by capacity. However, having a single source of supply, treatment facility, and transmission corridor result in a

vulnerability to potential disruptions. Depending on the type of disruption and level of service needed, several options emerge for water resiliency including emergency response only, second treatment plant, interties, and/or other regional solutions. These options are not mutually exclusive.

**Customer Confidence**

The major decisions facing both the water and electric utilities will require improvements in customer confidence and participation. Customer confidence and trust is earned through our ongoing performance. Improvements in customer value, the relationship between benefits realized and cost, is a primary ingredient in our performance. In the near term, the following alignment is needed.

*Over the next three years, increasing customer value will cultivate the confidence and new product acceptance needed for resiliency and long-term resource decisions.*

Commissioners, several backgrounders have been provided on tactical topics that we will be discussing in the context of a strategic proposal that will be presented at the work session, including AMI, AWS, Walterville operation, and various service programs (conservation, low-income, school grants, etc.). I am looking forward to the conversation and your direction.